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SUBJECT: THIS WEEK IN ALBANIA, JANUARY 4-10, 2008

¶1. (U) The following is a weekly report prepared by Embassy Tirana's local staff to provide political and economic context and insight into developments in Albania. These updates will supplement post's DAR reports and reporting cables.

POLITICAL DEVELOPMENTS

¶2. (U) The Endgame: Working Together For NATO: Opposition leader and Socialist Party (SP) Chairman Edi Rama launched a striking initiative this week to enhance the country's efforts on NATO integration. The Socialist Party presented a draft resolution that recognizes the importance of the April NATO Summit in Bucharest and offers maximum support and cooperation to the ruling majority to carry out necessary reforms. Recognizing the challenges Albania faces, the SP has apparently changed its strategy from boycott to cooperation. The strong public confirmation of opposition support is an important step toward achieving these reforms before April.

¶3. (SBU) Parliamentary Speaker Jozefina Topalli publicly welcomed the announcement, and the two sides sat down almost immediately for a closed-door meeting, discussing concrete plans to expedite judicial and electoral reform, NATO Allies' top priorities. We hope this will be the continuation of a series of small steps taken since last summer to create a new political climate, one that puts the national interest above partisan politics and gets down to the hard work of governing.

"Great things are done by a series of small things brought together." - Vincent Van Gogh

¶4. (U) The Albanian Armed Forces - Leaner and Meaner: The Ministry of Defense has waged an active campaign to rid the country of massive stockpiles of weapons and ammunition ahead of the NATO enlargement summit in April 2007. It recently retired over 1,000 tanks and 7,000 artillery pieces, and withdrew from service a large arsenal of communist-era, Russian-made Mig planes. In July 2007, with funding from the Nunn-Lugar program, Albania was the world's first country to completely destroy its chemical weapons cache. Thanks to an increase in the defense budget, now reaching 2.07% of GDP, the Albanian Ministry of Defense is moving to purchase new weaponry that meets NATO standards.

¶5. (U) During the Cold War, Albania was one of the most heavily militarized countries in Europe with a communist regime that closely followed the Maoist model. In a population about half the size of Baltimore's, Albania had over 100,000 people in uniform when communism collapsed in 1990. Due to extensive military cooperation with the former Soviet Union and subsequently with communist China, Albania, a country roughly the size of Maryland, built a military arsenal that included over 1100 Chinese-made tanks, 152 planes, and a naval force of four Russian-made submarines. The

security-obsessed communist government also built over 700,000 bunkers and tunnels to defend the country from attack. Today, we see a military committed to lean modernization and the development of niche capabilities.

ECONOMIC DEVELOPMENTS

¶6. (U) More Transparency, More Credit: The Bank of Albania opened a new credit bureau last week which will track consumers' credit histories. Consumer loans have a short history in Albania, but as they have become more commonplace the need to track and manage credit histories has become more acute. Governor Fullani said the main goal of the credit registry will be to encourage sound credit transactions by providing more complete information on consumer credit for all 18 banks in the system. Commercial banks are now responsible for uploading credit information to the registry; in return, they have access to the database. Individuals will also be able to access their credit history.

¶7. (U) The banking sector has come a long way since 1997 when the collapse of pyramid schemes led to massive turmoil. Its most rapid development has occurred during the last four years with the introduction of large European banks, Austrian Raiffeisen Bank, Italian San Paolo Imi and Intesa, and French Societe Generale and Credit Agricole. Public confidence in the sector has improved with performance - deposits have reached US \$7 billion, 60% of the GDP. Loans have experienced the most spectacular growth, increases of 70% in 2005, 55% in 2006, and 50% in 2007, boosting the loan to GDP ratio to 24%. Despite concerns over the stability of this rapid growth, these developments have boosted the role of the banking sector in economic development.

THIS WEEK IN ALBANIAN CULTURE

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¶8. (U) There's a New Dean in Town: Albania's public universities held general elections this week to choose the schools' Deans and other leaders, as well as student representatives. Some elections had been delayed over a year as the Ministry of Education and universities worked out new regulations for elections, rules that the schools charged involved too much government interference in the university structure, particularly regarding new criteria for who may run for office.

¶9. (U) In some faculties, elections for Dean and Head of Department were unfortunately held with only one candidate, and it was only academia's older generation that qualified to run, dominating the ballots. The current generational gap, a quirk of the fall of communism, leaves a lack of professors between 30 and 50 years old, and a distinctly different point of view from each side of the divide, particularly on issues of teaching methods, testing styles, and more generally regarding a communist mindset vs. a stronger western influence.

THE FINAL WORD

¶10. (U) No Means Yes - And How Much Did That Cost?: Savvy travelers understand that one should always grasp a few important cultural mores before arriving in a foreign country. However, with a general dearth of information on Albania and a sparse selection of travel guides, the few American and Western European tourists here don't do a lot of homework. They might be surprised then, when a shopkeeper shakes his head "no" in response to a request for a bottled water or Coca Cola (which might be in full view). Most Albanians shake their head left to right to indicate "Yes" and forward and backward to indicate "No." Confusion abounds for the uninitiated. Another curiosity includes the "old Lek - new Lek" issue. Albania devalued its currency around 1969 by 100%. However, to this day, shopkeepers and waiters born long after this date bring a bill for \$100 for lunch or \$10 for two loaves of bread. Those in the know see right away that they aren't being cheated - just charged in "old Leke."

